

NON-CORP**NON-CORPORATE BUSINESS PROFITS TAX RECONCILIATION
OF NH GROSS BUSINESS PROFITS**

Schedule R

For the CALENDAR year _____ or other taxable period beginning _____ and ending _____

SEQUENCE # 4A

Name

FEIN or SSN

This Schedule R shall be used to reconcile the federal income calculations of the federal partnership and proprietorship income tax return filed with the Internal Revenue Service to the federal income calculated using the Internal Revenue Code (IRC) in effect on December 31, 2000. The revised calculation of federal income shall be used for the NH income on Line 1(a) through 1(c) and Lines 2 and 3 of the NH-1065 return and income on Lines 1 through 5 of the NH-1040 return. Since the income activities are segregated on the partnership and proprietorship returns, this Schedule R must be used for each income type where IRC Section 179 and bonus depreciation deductions have been taken. Check the appropriate box in the Activities section below to indicate the income activity. If only asset sales require a reconciliation, skip Lines 1 through 4 of this form.

If you are filing a **Fiduciary** Business Profits Tax return, Form NH-1041, you must compute your IRC Section 179 and depreciation expense in Line 2 of the NH-1041 using the IRC in effect on December 31, 2000. You may use the Federal Form 4562, Depreciation and Amortization (2000 Tax Year) to calculate these deductions. If you have any questions, please call the Audit Division at (603) 271-3400.

**STEP 1
ACTIVITIES**

Federal ordinary income, profit, expense (loss) reconciled on this form. (Use a separate Schedule R for each type of activity indicated below. Indicate the activity being reconciled with a check mark.)

Partnership Activities

- A ☐ Ordinary Income (Loss) from Trade or Business Activities
 B ☐ Net Income (Loss) from Rental Real Estate Activities
 C ☐ Net income (Loss) from Other Rental Activities
 D ☐ Other Income (Loss) from Partnership Activities
 E ☐ Net Gain (Loss) from Sale of Assets
 F ☐ Installment Sales

Proprietorship Activities

- G ☐ Net Profit (Loss) from Business
 H ☐ Income (Loss) from Rental Activities
 I ☐ Net Farm Rental Profit (Loss)
 J ☐ Net Farm Profit (Loss)
 K ☐ Net Gain (Loss) from Sale of Assets
 L ☐ Installment Sales

**STEP 2
DEPRECIATION
ADJUSTMENTS**

- 1 Adjusted Federal Income or Loss from Trade or Business Activities
 (a) Federal Income (Loss) from Trade or Business Activities from return filed with IRS 1(a)
 (b) Gain (loss) included in Line 1(a) on sale of assets acquired after September 10, 2001
 or on which additional IRC Section 179 expense was taken 1(b)
 (c) Adjusted Federal Income (Loss) from Trade or Business Activities. [Line 1(a) plus Line 1(b)] 1(c)
 2 Additions required to Federal Income:
 (a) IRC Section 179 expense taken on federal return for assets placed in service during current
 taxable period 2(a)
 (b) Bonus depreciation on assets acquired after September 10, 2001 (Federal Form 4562) 2(b)
 (c) Current year depreciation reported on federal return for assets for which additional Section 179
 deductions were reported in any taxable period and/or for which bonus depreciation was
 reported in any taxable period 2(c)
 (d) Other amounts reported on federal return that need to be eliminated due to revisions to the IRC
 in effect on December 31, 2000 2(d)
 (e) Total additions [Sum of Lines 2(a) through Line 2(d)] 2(e)
 3 Deductions required from Federal Income: (The deductions allowed in this section are the deductions
 that would be allowed on assets placed in service in 2001 through 2004 using the IRC in effect on
 December 31, 2000)
 (a) IRC Section 179 expense allowed on assets placed in service during current taxable period 3(a)
 (b) Current year depreciation allowable for assets for which bonus depreciation deductions
 were reported for any taxable period and/or additional Section 179 deductions for any period
 were reported on the federal return 3(b)
 (c) Other deductions required due to revisions to the IRC in effect on December 31, 2000. 3(c)
 (d) Total deductions [Sum of Lines 3(a) through Line 3(c)] 3(d)
 4 Adjusted Gross Business Profits [Line 1(c) plus Line 2(e) minus Line 3(d)]
 (Enter this amount on the appropriate line of your NH-1040 or NH-1065 Business Profits Tax return) ... 4

**STEP 3
ASSET
SALES**

- 5 Adjustments required on sale of assets acquired after September 10, 2001 or on which the additional IRC Section
 179 expense was taken. (The federal calculation of any gain (loss) on the sale of these assets must be adjusted
 to reflect the different NH basis for the assets).
 (a) Gross sale price for assets acquired after September 10, 2001, or on which the additional IRC
 Section 179 expense was taken, and sold in current period 5(a)
 (b) NH basis of assets acquired after September 10, 2001, or on which the additional IRC Section
 179 expense was taken, and sold in current taxable period plus related selling expenses 5(b)
 (c) NH gain (loss) on sale of assets acquired after September 10, 2001 or on which the additional
 IRC Section 179 expense was taken. [Line 5(a) less Line 5(b)]. Place this amount on the
 appropriate line of your NH-1040 or NH-1065 Business Profits Tax Return 5(c)

NON-CORP

Schedule R Instructions

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION
NON-CORPORATE BUSINESS PROFITS TAX
RECONCILIATION OF NH GROSS BUSINESS PROFITS
 LINE-BY-LINE INSTRUCTIONS

STEP 1	ACTIVITIES Check the boxes to indicate the activities that apply.
STEP 2	DEPRECIATION ADJUSTMENTS
LINE 1(a)	Partnership Returns <u>Ordinary Income (Loss)</u> - Enter the amount from the Federal Partnership Income Tax Return (Form 1065) being filed with the Internal Revenue Service for the same taxable period. <u>Net Income (Loss) from Rental Real Estate Activities</u> - Enter the amount from Schedule K, Line 2 or Federal Form 8825, Line 21. <u>Net Income (Loss) from Other Rental Activities</u> - Enter the amount from Schedule K. <u>Other Income (Loss) from Partnership Activities</u> - Enter the amount of income (loss) not included elsewhere on this reconciliation. Proprietorship Returns <u>Net Profit (Loss) from Business</u> - Enter the amount from Schedule C of your Federal Individual Income Tax Return (IRS Form 1040). <u>Income (Loss) from Rental Activities</u> - Enter the total from Part I, Schedule E of your Federal Individual Income Tax Return (IRS Form 1040). <u>Farm Rental Profit (Loss)</u> - Enter the total from Federal Form 4835. <u>Net Farm Profit (Loss)</u> - Enter the amount from Schedule F of your Federal Individual Income Tax return (IRS Form 1040.)
LINE 1(b)	From Part II of Federal Form 4797, enter the total amount of current-period <u>ordinary income or loss</u> that pertains to sales of business assets on which additional IRC Section 179 expenses were reported in any year and/or for which bonus depreciation was reported in any year.
LINE 1(c)	Enter the sum of Line 1(a) plus Line 1(b).
LINE 2(a)	Enter on Line 2(a) the amount from Line 12 on each Depreciation and Amortization form (IRS Form 4562 - Rev 3-2002).
LINE 2(b)	Enter on Line 2(b) the amount from Lines 14 and 25 on each Depreciation and Amortization form (IRS Form 4562 - Rev 3-2002).
LINE 2(c)	Determine the amount of depreciation included within Lines 15, 17, 19, 20, 26(h) and 27(h) of IRS Form 4562 (Rev 3-2002) for only those assets included in this specific reconciliation relating to: <ul style="list-style-type: none"> • Assets acquired by the taxpayer after September 10, 2001, and before January 1, 2005, which were placed in service before January 1, 2005 (January 1, 2006 for certain assets) upon which the bonus depreciation was taken during any taxable period; and • Assets acquired after December 31, 2000 for which an IRC Section 179 deduction was taken during any taxable period. NOTE: If an asset had both bonus depreciation and Section 179 deductions taken during any taxable period, only include the amount of depreciation one time for that asset. • Add the amounts determined above together and enter the total on Line 2(c).
LINE 2(d)	Other additions required due to revisions to the IRC in effect on December 31, 2000. (Attach a brief description of the additions).
LINE 2(e)	Enter the sum of Lines 2(a) through Line 2(d).
LINE 3(a)	Enter the amount of IRC Section 179 expense deduction that would have been allowed under the IRC in effect on December 31, 2000. The maximum allowed under that code was \$20,000.
LINE 3(b)	Using the general and alternative depreciation systems and the "Listed Property" depreciation regulations under the IRC in effect on December 31, 2000, calculate for only the assets included in this specific reconciliation the amount of current-period depreciation on: <ul style="list-style-type: none"> • Assets acquired after September 10, 2001, and before January 1, 2005, which were placed in service before January 1, 2005 (January 1, 2006 for certain assets) upon which the bonus depreciation was taken during any taxable period and, • Assets acquired after December 31, 2000 for which an IRC Section 179 deduction was taken during any taxable period. • Add the amounts determined above together and enter the total on Line 3(b). NOTE: The Federal Depreciation and Amortization form (IRS Form 4562-2000) or a supplemental depreciation schedule may be used to calculate the amount.
LINE 3(c)	Other deductions required due to revisions to the IRC in effect on December 31, 2000. (Attach a brief description of the deductions.)
LINE 3(d)	Enter the sum of Lines 3(a) through Line 3(c).
LINE 4	Add the amount on Line 1(c) plus Line 2(e) minus Line 3(d). Depending on the type of reconciliation, enter this amount on the appropriate line of your NH Business Profits Tax return as indicated below. Type of Reconciliation: Partnership Ordinary Income (Loss) from Trade or Business Activities NH-1065 1(a) Net Income (Loss) from Rental Real Estate Activities NH-1065 1(b) Net Income (Loss) from Other Rental Activities NH-1065 1(c) Other Income (Loss) from Partnership Activities NH-1065 1(f) Proprietorship Net Profit (Loss) from Business NH-1040 1 Income (Loss) from Rental Activity NH-1040 2(a) Net Farm Rental Profit (Loss) NH-1040 2(b) Net Farm Profit or (Loss) NH-1040 3
STEP 3	ASSET SALES
LINE 5	Lines 5(a) through Line 5(c) need to be completed only when assets acquired after September 10, 2001 and before January 1, 2005, which were placed in service before January 1, 2005 (January 1, 2006 for certain assets) upon which bonus depreciation was taken or on assets which additional IRC Section 179 expense was taken are disposed of before they have been fully depreciated under both the Federal and NH depreciation methods. The assets will have a different basis for Federal and NH purposes until they are fully depreciated, under both methods, creating a different calculation of gain or loss.
LINE 5(a)	Enter the total amount of the gross sales prices on assets described in the Line 5 paragraph that were sold in the taxable period.
LINE 5(b)	Determine the amount of the NH basis for the assets described in the Line 5 above above which were sold in the taxable period and add the related selling expenses. Enter the amount calculated on Line 5(c). The NH basis is the original cost to acquire the asset plus the cost of any improvements reduced by the amount of IRC Section 179 and depreciation expenses as determined using the IRC in effect on December 31, 2000. Refer to the instructions for Line 3(a) and 3(b) to calculate the amount of allowable IRS Section 179 expense and depreciation.
LINE 5(c)	Subtract Line 5(b) from Line 5(a) and enter the result on Line 5(c).
RECORD YOUR RESULT	For a partnership, enter the amount from Line 5(c) of this form on Line 2 or Line 3, as appropriate, of the Partnership Business Profits Tax return (Form NH-1065). For a proprietorship, enter the amount from Line 5(c) of this form on Line 4 or Line 5, as appropriate, of the Proprietorship Business Profits Tax return (Form NH-1040).

Reminder - The schedule must be attached to your Partnership (NH-1065) or Proprietorship (NH-1040) Business Profits Tax return.